

**GRANTSVILLE CITY CORPORATION**

FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2005

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# PINNOCK, ROBBINS, POSEY & RICHINS

*Certified Public Accountants • A Professional Corporation*

Ronald D. Robbins, CPA  
David T. Posey, CPA  
Roger O. Richins, CPA  
James R. Beaudoin, PFS, CFR, CPA  
Wade K. Watkins, CPA

## INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and  
Members of the City Council  
Grantsville City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grantsville City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of Grantsville City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 43 through 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grantsville City Corporation's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Pinnock, Robbins, Posey & Richins*

December 15, 2005

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# **GRANTSVILLE CITY CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **YEAR ENDING JUNE 30, 2005**

As management of Grantsville City Corporation, we offer readers of the Grantsville City financial statements this narrative overview and analysis of the financial activities of Grantsville City for the fiscal year ended June 30, 2005.

#### **Financial Highlights**

- Total net assets increased by \$1,879,493.
- Total general fund revenues, including taxes, exceeded total general fund expenditures by \$804,810.
- Grantsville City's total bonded debt decreased by \$673,000. The key factor in this decrease was the pay-off of the MBA and road bonds as well as payments on the water and sewer revenue bonds.
- Total net assets in the business-type activities increased by \$2,257,268.
- Total revenues from all sources were \$5,647,253.
- The total cost of all City programs was \$3,767,760.
- Actual resources received in the general fund were \$114,903 less than budgeted while actual expenditures were \$390,769 less than budgeted.
- At the end of the current fiscal year, unreserved fund balance in the general fund was \$903,680 or 40% of total general fund expenditures.

#### **Overview of the financial Statements**

This discussion and analysis is intended to serve as an introduction to Grantsville City's basic financial statements. Grantsville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Grantsville City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of Grantsville City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Grantsville City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Grantsville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Grantsville City include general

## GRANTSVILLE CITY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

government, public safety, highways and public works, and parks and recreation. The business-type activities of Grantsville City include water, sewer, and garbage utilities.

***Fund financial statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Grantsville City, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Grantsville City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Grantsville City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Redevelopment Agency Fund which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Grantsville City adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general and redevelopment agency funds to demonstrate compliance with this budget.

***Proprietary funds.*** Grantsville City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Grantsville City uses enterprise funds to account for its Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund, all of which are considered to be major funds of Grantsville City.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support Grantsville City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

# GRANTSVILLE CITY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Grantsville City, assets exceeded liabilities by \$13,005,813 at the close of the most recent fiscal year.

By far the largest portion of Grantsville City's net assets (\$7,541,138) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Grantsville City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Grantsville City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,550,969	\$ 2,616,058	\$ 3,271,104	\$ 2,578,286	\$ 5,822,073	\$ 5,194,344
Capital assets	1,803,061	2,673,841	9,615,077	8,429,633	11,418,138	11,103,474
Total assets	<u>\$ 4,354,030</u>	<u>\$ 5,289,899</u>	<u>\$12,886,181</u>	<u>\$11,007,919</u>	<u>\$17,240,211</u>	<u>\$16,297,818</u>
Other liabilities	\$ 630,912	\$ 741,554	\$ 404,476	\$ 403,482	\$ 1,035,388	\$ 1,145,036
Long-term liabilities outstanding	704,010	1,151,462	2,495,000	2,875,000	3,199,010	4,026,462
Total liabilities	<u>\$ 1,334,922</u>	<u>\$ 1,893,016</u>	<u>\$ 2,899,476</u>	<u>\$ 3,278,482</u>	<u>\$ 4,234,398</u>	<u>\$ 5,171,498</u>
Net assets:						
Invested in capital assets, of related debt	\$ 695,061	\$ 1,266,841	\$ 6,846,077	\$ 5,286,633	\$ 7,541,138	\$ 6,553,474
Restricted	788,128	816,321	1,953,524	1,471,098	2,741,652	2,287,419
Unrestricted	<u>1,535,919</u>	<u>1,313,721</u>	<u>1,187,104</u>	<u>971,706</u>	<u>2,723,023</u>	<u>2,285,427</u>
Total net assets	<u>\$ 3,019,108</u>	<u>\$ 3,396,883</u>	<u>\$ 9,986,705</u>	<u>\$ 7,729,437</u>	<u>\$13,005,813</u>	<u>\$11,126,320</u>

An additional portion of Grantsville City's net assets (\$2,741,652) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,723,023) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Grantsville City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$1,879,493 in total net assets in the current year. This increase is comprised of a \$377,775 decrease in governmental activities and a \$2,257,268 increase in business-type activities.



# GRANTSVILLE CITY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 916,974	\$ 482,303	\$ 1,920,905	\$ 1,479,387	\$ 2,837,879	\$ 1,961,690
Operating grants and contributions	453,375	485,594	120,000	-	573,375	485,594
Capital grants and contributions	25,468	-	403,852	220,000	429,320	220,000
General revenues:						
Property taxes	835,565	668,257	-	-	835,565	668,257
General sales and use tax	637,719	554,141	-	-	637,719	554,141
Franchise tax	231,303	197,092	-	-	231,303	197,092
Highway tax	9,421	9,426	-	-	9,421	9,426
Unrestricted investment earnings	34,393	12,834	58,278	40,218	92,671	53,052
Miscellaneous	-	64,000	-	-	-	64,000
Total revenues	<u>3,144,218</u>	<u>2,473,647</u>	<u>2,503,035</u>	<u>1,739,605</u>	<u>5,647,253</u>	<u>4,213,252</u>
Expenses:						
General government	725,209	682,278	-	-	725,209	682,278
Public safety	958,343	809,001	-	-	958,343	809,001
Highways and public works	267,601	281,697	-	-	267,601	281,697
Parks and recreation	274,243	261,604	-	-	274,243	261,604
Interest on long-term debt	47,342	38,695	-	-	47,342	38,695
Water Utility	-	-	680,380	626,645	680,380	626,645
Sewer Utility	-	-	564,328	488,131	564,328	488,131
Garbage Utility	-	-	250,314	231,347	250,314	231,347
Total expenses	<u>2,272,738</u>	<u>2,073,275</u>	<u>1,495,022</u>	<u>1,346,123</u>	<u>3,767,760</u>	<u>3,419,398</u>
Increase in net assets before transfers	871,480	400,372	1,008,013	393,482	1,879,493	793,854
Transfers	<u>(1,249,255)</u>	<u>-</u>	<u>1,249,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(377,775)	400,372	2,257,268	393,482	1,879,493	793,854
Net assets- beginning	<u>3,396,883</u>	<u>2,996,511</u>	<u>7,729,437</u>	<u>7,335,955</u>	<u>11,126,320</u>	<u>10,332,466</u>
Net assets- ending	<u>\$ 3,019,108</u>	<u>\$ 3,396,883</u>	<u>\$ 9,986,705</u>	<u>\$ 7,729,437</u>	<u>\$13,005,813</u>	<u>\$11,126,320</u>

**Governmental activities.** Governmental activities decreased Grantsville City's net assets by \$377,775. The decrease in governmental activities is primarily explained by the following:

- Sewer distribution lines for the Wal-Mart Distribution Center in the Redevelopment Agency were transferred from governmental activities to business-type activities (\$1,249,255).
- The City received an increase of approximately \$236,000 in park and public safety impact fees. This increase was due primarily to the payment of impact fees for the new distribution center by Wal-Mart.
- The City had increases in building permit revenue (approximately \$87,000) and subdivision inspection fees (approximately \$92,000).

**GRANTSVILLE CITY CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Expense and Program Revenue – Governmental Activities**

	<u>Expense</u>	<u>Program Revenue</u>	Net <u>Governmental Activities</u>
General government	\$ 725,209	\$ 442,379	\$ (282,830)
Public safety	958,343	493,602	(464,741)
Highways and public works	267,601	335,555	67,954
Parks and recreation	274,243	124,281	(149,962)
Interest on long-term debt	47,342	—	(47,342)
 Total Governmental Activities	 <u>\$ 2,272,738</u>	 <u>\$ 1,395,817</u>	 <u>(876,921)</u>
 General revenues:			
Property taxes			835,565
General sales and use tax			637,719
Franchise tax			231,303
Highway tax			9,421
Unrestricted investment earnings			34,393
Transfers			<u>(1,249,255)</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>499,146</u>
 CHANGE IN NET ASSETS			 (377,775)
NET ASSETS - BEGINNING			<u>3,396,883</u>
NET ASSETS - ENDING			<u>\$ 3,019,108</u>

**Business-type activities.** Business-type activities increased Grantsville City's net assets by \$2,257,268. The increase in business-type activities is primarily due to:

- Sewer distribution lines for the Wal-Mart Distribution Center were transferred from governmental activities to business-type activities (\$1,249,255).
- The City received an increase of approximately \$393,000 in water and sewer impact fees. This increase was due primarily to the payment of impact fees for the new distribution center by Wal-Mart.
- The City received approximately \$184,000 of contributed capital from the developer of Palomino Ranch Phase 3.
- The City received a \$120,000 CDBG grant for the Center Street water line project.

**Expenses and Program Revenues – Business-type Activities**

	<u>Expense</u>	<u>Program Revenue</u>	Net <u>Business-type Activities</u>
Water Utility	\$ 680,380	\$ 1,329,837	\$ 649,457
Sewer Utility	564,328	829,442	265,114
Garbage Utility	250,314	285,478	35,164
 TOTAL	 <u>\$ 1,495,022</u>	 <u>\$ 2,444,757</u>	 <u>\$ 949,735</u>

**Financial Analysis of the Government's Funds**

As noted earlier, Grantsville City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## GRANTSVILLE CITY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

*Governmental funds.* The focus of Grantsville City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Grantsville City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Grantsville City's governmental funds reported combined ending fund balances of \$1,827,971. Approximately 57% of this total amount or \$1,039,843 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of Grantsville City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$903,680, while total fund balance reached \$1,691,808. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40% of total general fund expenditures, while total fund balance represents 75% of that amount.

*Proprietary funds.* Grantsville City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$371,814, for the Sewer Utility Fund, unrestricted net assets amounted to \$608,266, and for the Garbage Utility Fund, unrestricted net assets amounted to \$207,024.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were substantial (\$273,951 decrease in appropriations or 9% of the original expenditure budget). Key factor contributing to the decrease include the following:

- Budgeted expenditures in the parks department were decreased by approximately \$184,000. The City Council delayed plans to make improvements to the J. Reuben Clark Historic Farm.

Actual expenditures were \$ 390,769 less than budgeted expenditures. Key factors contributing to this variance include the following:

- Several road replacement projects were not completed prior to the end of the fiscal year, resulting in an under-expenditure of budget of approximately \$234,000.

#### **Capital Assets and Debt Administration**

*Capital assets.* Grantsville City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$11,418,138 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The total net increase in Grantsville City's investment in capital assets for the current fiscal year was \$314,664.

## GRANTSVILLE CITY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Major capital asset events during the current fiscal year included the following:

- Center Street water line and paving project - \$291,000
- Completion of sewer distribution line for the Wal-Mart Distribution Center - \$255,000
- Contributed capital from Palomino Ranch Phase 3 - \$195,000
- Hale Street water line - \$76,000

#### **Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 474,379	\$ 474,379	\$ —	\$ —	\$ 474,379	\$ 474,379
Buildings	629,406	637,050	457,886	462,045	1,087,292	1,099,095
Improvements	148,312	154,382	8,928,945	7,704,609	9,077,257	7,858,991
Machinery and equipment	287,177	307,869	228,246	262,979	515,423	570,848
Infrastructure	263,787	105,602	—	—	263,787	105,602
Construction-in-progress	—	994,559	—	—	—	994,559
<b>TOTAL</b>	<b>\$ 1,803,061</b>	<b>\$ 2,673,841</b>	<b>\$ 9,615,077</b>	<b>\$ 8,429,633</b>	<b>\$11,418,138</b>	<b>\$11,103,474</b>

Additional information on Grantsville City's capital assets can be found at Note 4.

**Long-term debt.** At the end of the current fiscal year, Grantsville City had total bonded debt outstanding of \$3,877,000. All of Grantsville City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

#### **Outstanding Debt Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ 1,108,000	\$ 1,407,000	\$ 2,769,000	\$ 3,143,000	\$ 3,877,000	\$ 4,550,000

Grantsville City's total debt decreased by \$673,000 (15%) during the current fiscal year.

Additional information on Grantsville City's long-term debt can be found in Note 6.

#### **Economic Factors and Next Year's Budget and Rates**

Construction of the Wal-Mart Distribution Center was completed during the 2005 fiscal year. The City's Redevelopment Agency will receive property tax increment revenue from the Distribution Center, and this revenue will be used to pay debt service on the 2005 tax increment revenue bonds until the bonds are paid off in April 2008.

#### **Requests for Information**

This financial report is designed to provide a general overview of Grantsville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 429 East Main Street, Grantsville, Utah 84029.

## **BASIC FINANCIAL STATEMENTS**

**GRANTSVILLE CITY CORPORATION**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 863,009	\$ 900,280	\$ 1,763,289
Accounts receivable - net	—	123,193	123,193
Special assessment taxes receivable	1,024	—	1,024
Taxes receivable	721,461	—	721,461
Other receivables	969	—	969
Inventories	179,074	36,780	215,854
Prepaid expenses	24,735	—	24,735
Internal balances	(113,539)	113,539	—
Due from other governmental units	48,878	—	48,878
Deferred charges	21,223	30,038	51,261
Water rights	—	113,750	113,750
Restricted assets:			
Cash and cash equivalents	804,135	1,953,524	2,757,659
Capital assets (net of accumulated depreciation):			
Land	474,379	—	474,379
Buildings	629,406	457,886	1,087,292
Improvements	148,312	8,928,945	9,077,257
Machinery and equipment	287,177	228,246	515,423
Infrastructure	<u>263,787</u>	<u>—</u>	<u>263,787</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,354,030</u></b>	<b><u>\$12,886,181</u></b>	<b><u>\$ 17,240,211</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 139,292	\$ 110,350	\$ 249,642
Accrued interest payable	10,876	20,126	31,002
Noncurrent liabilities:			
Due within one year	480,744	274,000	754,744
Due in more than one year	<u>704,010</u>	<u>2,495,000</u>	<u>3,199,010</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,334,922</u></b>	<b><u>\$ 2,899,476</u></b>	<b><u>\$ 4,234,398</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 695,061	\$ 6,846,077	\$ 7,541,138
Restricted for:			
Public safety	283,268	—	283,268
Highways and public works	389,077	—	389,077
Parks and recreation	115,783	—	115,783
Debt service	—	244,631	244,631
Water projects	—	982,247	982,247
Sewer projects	—	726,646	726,646
Unrestricted	<u>1,535,919</u>	<u>1,187,104</u>	<u>2,723,023</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 3,019,108</u></b>	<b><u>\$ 9,986,705</u></b>	<b><u>\$ 13,005,813</u></b>

The notes to the financial statements are an integral part of this statement.

# GRANTSVILLE CITY CORPORATION

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 725,209	\$ 442,379	\$ -	\$ -	\$ (282,830)	\$ -
Public safety	958,343	370,314	123,288	-	(464,741)	-
Highways and public works	267,601	-	310,087	25,468	67,954	-
Parks and recreation	274,243	104,281	20,000	-	(149,962)	-
Interest on long-term debt	47,342	-	-	-	(47,342)	-
TOTAL GOVERNMENTAL ACTIVITIES	2,272,738	916,974	453,375	25,468	(876,921)	-
Business-type activities:						
Water utility	680,380	937,528	120,000	272,309	-	649,457
Sewer utility	564,328	697,899	-	131,543	-	265,114
Garbage utility	250,314	285,478	-	-	-	35,164
TOTAL BUSINESS-TYPE ACTIVITIES	1,495,022	1,920,905	120,000	403,852	-	949,735
TOTAL	\$ 3,767,760	\$ 2,837,879	\$ 573,375	\$ 429,320	(876,921)	72,814
General revenues:						
Property taxes					835,565	-
General sales and use tax					637,719	-
Franchise tax					231,303	-
Highway tax					9,421	-
Unrestricted investment earnings					34,393	58,278
Transfers					(1,249,255)	1,249,255
TOTAL GENERAL REVENUES AND TRANSFERS					499,146	1,307,533
CHANGE IN NET ASSETS					(377,775)	2,257,268
NET ASSETS - BEGINNING					3,396,883	7,729,437
NET ASSETS - ENDING					\$ 3,019,108	\$ 9,986,705
						\$ 13,005,813

The notes to the financial statements are an integral part of this statement.

**GRANTSVILLE CITY CORPORATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 613,588	\$ 248,083	\$ —	\$ 1,338	\$ 863,009
Receivables (net):					
Special assessment	—	—	—	1,024	1,024
Taxes	721,461	—	—	—	721,461
Other	969	—	—	—	969
Intergovernmental	48,878	—	—	—	48,878
Inventories	179,074	—	—	—	179,074
Prepaid expenses	24,735	—	—	—	24,735
Due from other funds	—	441,605	—	—	441,605
Cash and cash equivalents - restricted	<u>804,135</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>804,135</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,392,840</u></b>	<b><u>\$ 689,688</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 2,362</u></b>	<b><u>\$ 3,084,890</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 138,549	\$ —	\$ 743	\$ —	\$ 139,292
Due to other funds	—	—	124,804	—	124,804
Notes payable - interfund	—	335,256	95,084	—	430,340
Deferred revenue	<u>562,483</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>562,483</u>
<b>TOTAL LIABILITIES</b>	<b><u>701,032</u></b>	<b><u>335,256</u></b>	<b><u>220,631</u></b>	<b><u>—</u></b>	<b><u>1,256,919</u></b>
<b>Fund Balances:</b>					
Reserved for:					
Roads	389,077	—	—	—	389,077
Capital improvements	399,051	—	—	—	399,051
Unreserved, reported in:					
General fund	903,680	—	—	—	903,680
Capital projects funds	—	354,432	—	—	354,432
Special revenue funds	<u>—</u>	<u>—</u>	<u>(220,631)</u>	<u>2,362</u>	<u>(218,269)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,691,808</u></b>	<b><u>354,432</u></b>	<b><u>(220,631)</u></b>	<b><u>2,362</u></b>	<b><u>1,827,971</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,392,840</u></b>	<b><u>\$ 689,688</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 2,362</u></b>	<b><u>\$ 3,084,890</u></b>

The notes to the financial statements are an integral part of this statement.



GRANTSVILLE CITY CORPORATION

RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Total fund balances - governmental fund types	\$ 1,827,971
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,803,061
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	562,483
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,174,407)</u>
Net assets of governmental activities	<u>\$ 3,019,108</u>

**GRANTSVILLE CITY CORPORATION**

**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 1,657,557	\$ -	\$ -	\$ -	\$ 1,657,557
Licenses and permits	180,395	-	-	-	180,395
Intergovernmental	473,375	-	-	-	473,375
Charges for services	265,668	-	-	-	265,668
Impact fees	276,554	-	-	-	276,554
Fines and forfeitures	154,957	-	-	-	154,957
Investment earnings	33,462	-	-	931	34,393
Miscellaneous revenue	19,400	-	-	-	19,400
TOTAL REVENUES	3,061,368	-	-	931	3,062,299
EXPENDITURES:					
Current:					
General government	620,691	-	11,900	-	632,591
Public safety	951,809	-	-	-	951,809
Highways and public works	393,787	-	234,937	-	628,724
Parks and recreation	275,026	-	-	-	275,026
Debt service:					
Principal	-	-	-	299,000	299,000
Interest and fiscal charges	-	-	40,677	12,802	53,479
TOTAL EXPENDITURES	2,241,313	-	287,514	311,802	2,840,629
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	820,055	-	(287,514)	(310,871)	221,670
OTHER FINANCING SOURCES (USES):					
Transfers in	66,488	-	-	-	66,488
Transfers out	-	-	-	(66,488)	(66,488)
Donation of assets to other governmental units	(81,733)	-	-	-	(81,733)
TOTAL OTHER FINANCING (USES)	(15,245)	-	-	(66,488)	(81,733)
NET CHANGE IN FUND BALANCES	804,810	-	(287,514)	(377,359)	139,937
FUND BALANCES - BEGINNING	886,998	354,432	66,883	379,721	1,688,034
FUND BALANCES - ENDING	\$ 1,691,808	\$ 354,432	\$ (220,631)	\$ 2,362	\$ 1,827,971

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 139,937
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	353,007
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets	25,468
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	56,451
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items	299,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(1,251,638)</u>
Change in net assets of governmental activities	<u>\$ (377,775)</u>

**GRANTSVILLE CITY CORPORATION**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 382,253	\$ 291,591	\$ 226,436	\$ 900,280
Accounts receivable - net	48,024	48,860	26,309	123,193
Inventories	35,120	1,660	—	36,780
TOTAL CURRENT ASSETS	<u>465,397</u>	<u>342,111</u>	<u>252,745</u>	<u>1,060,253</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,094,220	859,304	—	1,953,524
Notes receivable - interfund	—	430,340	—	430,340
Land, equipment, buildings and improvements	7,532,679	6,742,663	—	14,275,342
Less: accumulated depreciation	(2,199,159)	(2,461,106)	—	(4,660,265)
Water rights	113,750	—	—	113,750
Deferred bond financing costs - net	26,093	3,945	—	30,038
TOTAL NONCURRENT ASSETS	<u>6,567,583</u>	<u>5,575,146</u>	<u>—</u>	<u>12,142,729</u>
TOTAL ASSETS	<u>7,032,980</u>	<u>5,917,257</u>	<u>252,745</u>	<u>13,202,982</u>
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	40,191	24,438	45,721	110,350
Due to other funds	173,109	143,692	—	316,801
Accrued interest payable	20,126	—	—	20,126
Revenue bonds payable	110,000	164,000	—	274,000
TOTAL CURRENT LIABILITIES	<u>343,426</u>	<u>332,130</u>	<u>45,721</u>	<u>721,277</u>
Noncurrent liabilities:				
Revenue bonds payable	1,019,000	1,476,000	—	2,495,000
TOTAL NONCURRENT LIABILITIES	<u>1,019,000</u>	<u>1,476,000</u>	<u>—</u>	<u>2,495,000</u>
TOTAL LIABILITIES	<u>1,362,426</u>	<u>1,808,130</u>	<u>45,721</u>	<u>3,216,277</u>
Net assets:				
Invested in capital assets, net of related debt	4,204,520	2,641,557	—	6,846,077
Restricted	1,094,220	859,304	—	1,953,524
Unrestricted	371,814	608,266	207,024	1,187,104
TOTAL NET ASSETS	<u>\$ 5,670,554</u>	<u>\$ 4,109,127</u>	<u>\$ 207,024</u>	<u>\$ 9,986,705</u>

The notes to the financial statements are an integral part of this statement.

**GRANTSVILLE CITY CORPORATION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
OPERATING REVENUES:				
Water sales	\$ 505,068	\$ —	\$ —	\$ 505,068
Sewer charges	—	522,307	—	522,307
Garbage collection charges	—	—	285,478	285,478
Impact fees	389,007	175,165	—	564,172
Connection fees	17,725	200	—	17,925
Miscellaneous	<u>25,728</u>	<u>227</u>	<u>—</u>	<u>25,955</u>
TOTAL OPERATING REVENUES	<u>937,528</u>	<u>697,899</u>	<u>285,478</u>	<u>1,920,905</u>
OPERATING EXPENSES:				
Salaries and wages	112,662	105,218	3,480	221,360
Employee benefits	52,105	50,912	902	103,919
Materials and supplies	143,795	143,796	37,756	325,347
Administrative	20,000	14,000	1,000	35,000
Professional services	13,039	150	—	13,189
Depreciation	266,015	238,745	—	504,760
Miscellaneous	1,785	11,113	4,399	17,297
Waste collection and disposal	—	—	202,777	202,777
Amortization of bond financing costs	<u>2,060</u>	<u>394</u>	<u>—</u>	<u>2,454</u>
TOTAL OPERATING EXPENSES	<u>611,461</u>	<u>564,328</u>	<u>250,314</u>	<u>1,426,103</u>
OPERATING INCOME	<u>326,067</u>	<u>133,571</u>	<u>35,164</u>	<u>494,802</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	30,522	27,597	159	58,278
Interest expense and fiscal charges	(68,919)	—	—	(68,919)
Federal grant revenue	<u>120,000</u>	<u>—</u>	<u>—</u>	<u>120,000</u>
TOTAL NONOPERATING REVENUES	<u>81,603</u>	<u>27,597</u>	<u>159</u>	<u>109,359</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	407,670	161,168	35,323	604,161
Capital contributions	<u>272,309</u>	<u>1,380,798</u>	<u>—</u>	<u>1,653,107</u>
CHANGE IN NET ASSETS	679,979	1,541,966	35,323	2,257,268
TOTAL NET ASSETS - BEGINNING	<u>4,990,575</u>	<u>2,567,161</u>	<u>171,701</u>	<u>7,729,437</u>
TOTAL NET ASSETS - ENDING	<u>\$ 5,670,554</u>	<u>\$ 4,109,127</u>	<u>\$ 207,024</u>	<u>\$ 9,986,705</u>

The notes to the financial statements are an integral part of this statement.

**GRANTSVILLE CITY CORPORATION**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 945,129	\$ 697,688	\$ 284,674	\$ 1,927,491
Payments to suppliers	(411,583)	(248,574)	(235,870)	(896,027)
Payments to employees	(164,767)	(156,130)	(4,382)	(325,279)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>368,779</u>	<u>292,984</u>	<u>44,422</u>	<u>706,185</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants and contributions received	<u>120,000</u>	<u>—</u>	<u>—</u>	<u>120,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>120,000</u>	<u>—</u>	<u>—</u>	<u>120,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	220,000	—	—	220,000
Purchases of capital assets	(218,858)	(38,239)	—	(257,097)
Principal paid on capital debt	(210,000)	(164,000)	—	(374,000)
Interest paid on capital debt	(72,808)	—	—	(72,808)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(281,666)</u>	<u>(202,239)</u>	<u>—</u>	<u>(483,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>30,522</u>	<u>27,597</u>	<u>159</u>	<u>58,278</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>30,522</u>	<u>27,597</u>	<u>159</u>	<u>58,278</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	237,635	118,342	44,581	400,558
CASH AND CASH EQUIVALENTS - BEGINNING (including \$771,345 and \$699,754 for the water and sewer utility funds, respectively, reported in restricted accounts)	<u>1,238,838</u>	<u>1,032,553</u>	<u>181,855</u>	<u>2,453,246</u>
CASH AND CASH EQUIVALENTS - ENDING (including \$1,094,220 and \$859,304 for the water and sewer utility funds, respectively, reported in restricted accounts)	<u>\$ 1,476,473</u>	<u>\$ 1,150,895</u>	<u>\$ 226,436</u>	<u>\$ 2,853,804</u>

GRANTSVILLE CITY CORPORATION

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 326,067	\$ 133,571	\$ 35,164	\$ 494,802
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	266,015	238,745	-	504,760
Amortization expense	2,060	394	-	2,454
(Increase) decrease in accounts receivable	7,601	(211)	(804)	6,586
Increase (decrease) in accounts payable and accrued liabilities	(5,834)	(5,345)	10,062	(1,117)
(Decrease) in due to other funds	(227,130)	(74,170)	-	(301,300)
TOTAL ADJUSTMENTS	42,712	159,413	9,258	211,383
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 368,779	\$ 292,984	\$ 44,422	\$ 706,185

GRANTSVILLE CITY CORPORATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<u>Cemetery Perpetual Care Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 1,660
Restricted cash and cash equivalents	27,572
Equipment (net of accumulated depreciation of \$46,111)	<u>—</u>
TOTAL ASSETS	<u>29,232</u>
LIABILITIES	<u>—</u>
TOTAL LIABILITIES	<u>—</u>
NET ASSETS:	
Held in trust for cemetery perpetual care	<u>\$ 29,232</u>



GRANTSVILLE CITY CORPORATION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Cemetery Perpetual Care Fund</u>
ADDITIONS:	
Contributions:	
Contributions from general fund	\$ 10,695
Investment earnings:	
Interest	<u>568</u>
TOTAL ADDITIONS	<u>11,263</u>
DEDUCTIONS:	
Depreciation expense	<u>3,049</u>
TOTAL DEDUCTIONS	<u>3,049</u>
CHANGE IN NET ASSETS	<u>8,214</u>
NET ASSETS - BEGINNING	<u>21,018</u>
NET ASSETS - ENDING	<u>\$ 29,232</u>

**NOTES TO FINANCIAL STATEMENTS**

**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Grantsville City Corporation is a municipal corporation governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. Grantsville City Corporation has no discretely presented component units and is itself not a component unit of any other entity. Each blended component unit has a June 30 year end.

*Blended Component Units*

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and have been retired through lease payments from the City. The Municipal Building Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's, the financial data is included in the reporting entity using the blended method.

The City's Redevelopment Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

Grantsville City Corporation  
429 East Main Street  
Grantsville, UT 84029

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

# GRANTSVILLE CITY CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the City.

# GRANTSVILLE CITY CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *sewer utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations, and collection systems.

The *garbage utility fund* accounts for the activities of the solid waste collection system of the City.

Additionally, the government reports the following fund type:

The *cemetery perpetual care fund* is used to account for resources held in trust for use in maintenance of the city cemetery. All resources of the fund may be used to maintain the cemetery. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility enterprise fund, of the Sewer Utility enterprise fund, and of the Garbage Utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## GRANTSVILLE CITY CORPORATION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **D. Reconciliation of Government-wide and Fund Financial Statements**

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheets but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

##### **E. Budgetary Procedures and Budgetary Accounting**

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

1. On or before the first regularly scheduled meeting of the City Council in May, the City's Mayor, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, Capital Projects Fund, Debt Service Funds, and Special Revenue Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the Mayor.
2. A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
3. On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.
4. The legal budgetary control is maintained at the departmental level. The Mayor, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
5. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

# GRANTSVILLE CITY CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Budgetary Procedures and Budgetary Accounting (continued)

6. A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
7. Monthly interim financial reports are prepared by the City Recorder and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budgets presented for the General Fund and Redevelopment Agency Fund are designated as revised budgets. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

No budget is presented in these financial statements for the Proprietary and Fiduciary Funds. State law allows the City Council to amend the Proprietary and Fiduciary Funds budgets without public hearing or public notice.

#### F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the water utility, sewer utility, and garbage utility funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "notes receivable-interfund," "notes payable-interfund," "due to other funds," or "due from other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Restricted Cash**

Certain resources set aside for bond repayment, are classified as restricted cash on the statement of net assets because their use is limited by applicable bond covenants. Other cash accounts are restricted by state law.

**I. Capital Assets**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Infrastructure	10-30
Machinery and equipment	3-30
Vehicles	5-10
Office equipment	3-5

**J. Fund Equity**

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.



**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Compensated Absences**

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

**L. Bond Discounts/Issuance Costs**

In the government-wide statements costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2005 the amortization expense related to deferred bond financing costs amounted to \$7,718 in governmental activities and \$2,454 in business-type activities of the government-wide financial statements.

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**N. Taxes and Other Significant Revenue**

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the market value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

Property tax revenues are recognized when they become available in the general fund. Amounts that are measurable but not available are recorded as deferred revenue in the general fund and revenue in the government-wide financial statements. An accrual was made for measurable but unavailable property taxes receivable in the amount of \$562,483 at June 30, 2005.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise fees are collected and remitted to the City by the telephone, electric, and natural gas companies monthly, and the cable television company semi-annually.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$1,174,407 difference are as follows:

Bonds payable	\$ 1,108,000
Less: deferred charge for issuance costs, net of amortization	(21,223)
Accrued interest payable	10,876
Compensated absences	<u>76,754</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 1,174,407</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$353,007 difference are as follows:

Capital outlay	\$ 448,724
Depreciation expense	<u>(95,717)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 353,007</u>

Another element of that reconciliation states that; "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds". The details of this \$1,251,638 difference are as follows:

Compensated absences	\$ (802)
Accrued interest	6,137
Amortization of issuance costs	(7,718)
Transfer of infrastructure to business-type activities	<u>(1,249,255)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,251,638)</u>

# GRANTSVILLE CITY CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ —	\$ 100
Cash on deposit	<u>102,364</u>	<u>43,916</u>
 TOTAL	 <u>\$ 102,364</u>	 <u>\$ 44,016</u>

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$2,364 of the City's bank balances of \$102,364 were uninsured and uncollateralized.

#### B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State

**WOODS CROSS CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. CASH AND INVESTMENTS (CONTINUED)**

Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$4,506,164	\$4,506,164	\$ —	\$ —	\$ —

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2005, the City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$ 474,379	\$ —	\$ —	\$ 474,379
Construction-in-progress	<u>994,559</u>	<u>—</u>	<u>(994,559)</u>	<u>—</u>
Total capital assets not being depreciated	1,468,938	—	(994,559)	474,379
Capital assets being depreciated:				
Buildings	825,080	9,247	—	834,327
Improvements	224,023	6,797	—	230,820
Machinery and equipment	1,014,399	36,540	—	1,050,939
Infrastructure	<u>108,206</u>	<u>166,912</u>	<u>—</u>	<u>275,118</u>
Total capital assets being depreciated	2,171,708	219,496	—	2,391,204
Less accumulated depreciation for:				
Buildings	(188,030)	(16,891)	—	(204,921)
Improvements	(69,641)	(12,867)	—	(82,508)
Machinery and equipment	(706,530)	(57,232)	—	(763,762)
Infrastructure	<u>(2,604)</u>	<u>(8,727)</u>	<u>—</u>	<u>(11,331)</u>
Total accumulated depreciation	(966,805)	(95,717)	—	(1,062,522)
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>1,204,903</u>	<u>123,779</u>	<u>—</u>	<u>1,328,682</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 2,673,841</u>	<u>\$ 123,779</u>	<u>\$(994,559)</u>	<u>\$ 1,803,061</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$ —	\$ —	\$ —	\$ —
Capital assets being depreciated:				
Buildings	767,738	18,774	—	786,512
Improvements	11,194,493	1,671,430	—	12,865,923
Machinery and equipment	<u>622,907</u>	<u>—</u>	<u>—</u>	<u>622,907</u>
Total capital assets being depreciated	12,585,138	1,690,204	—	14,275,342
Less accumulated depreciation for:				
Buildings	(305,693)	(22,933)	—	(328,626)
Improvements	(3,489,884)	(447,094)	—	(3,936,978)
Machinery and equipment	<u>(359,928)</u>	<u>(34,733)</u>	<u>—</u>	<u>(394,661)</u>
Total accumulated depreciation	(4,155,505)	(504,760)	—	(4,660,265)
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>8,429,633</u>	<u>1,185,444</u>	<u>—</u>	<u>9,615,077</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 8,429,633</u>	<u>\$ 1,185,444</u>	<u>\$ —</u>	<u>\$ 9,615,077</u>

**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

General government	\$ 21,983
Public safety	36,207
Highway and public works	24,646
Parks and recreation	<u>12,881</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES \$ 95,717

BUSINESS-TYPE ACTIVITIES:

Water	\$ 266,015
Sewer	<u>238,745</u>

TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES \$ 504,760

**5. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund notes receivable/payable:		
Sewer utility	Capital projects	\$ 335,256
	Redevelopment agency	<u>95,084</u>
TOTAL		<u>\$ 430,340</u>
Due to/from other funds:		
Capital projects	Water utility	\$ 173,109
	Sewer utility	143,692
	Redevelopment agency	<u>124,804</u>
TOTAL		<u>\$ 441,605</u>

The interfund payable balance in the capital projects fund reflects the amount due to the sewer utility fund for a loan made in 2004 to fund the purchase of historic farm property. The interfund payable balance in the Redevelopment Agency fund reflects the amount due to the sewer utility fund for a loan made in 2004 to fund professional fees related to a sewer transmission line project in the Redevelopment Agency. Debt service on this loan will be made with tax increment proceeds received by the Redevelopment Agency.

**6. LONG-TERM DEBT**

***Revenue Bonds***

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was

**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. LONG-TERM DEBT (CONTINUED)**

\$1,108,000 for governmental activities and \$5,766,000 for business-type activities. During the current year the MBA Bonds and Road Bonds were retired. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Waste water treatment - Sewer Utility	0.00%	\$1,640,000
Culinary water system - Water Utility	5.00%	523,000
Culinary water system - Water Utility	5.75%	606,000
Sewer transmission lines - Redevelopment Agency	3.60 - 4.50%	<u>1,108,000</u>
<b>TOTAL</b>		<b><u>\$3,877,000</u></b>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 715,000	\$ 105,102
2007	725,000	83,179
2008	507,000	58,565
2009	292,000	41,913
2010	300,000	34,868
2011-2015	1,277,000	77,314
2016-2020	<u>61,000</u>	<u>3,050</u>
<b>TOTAL</b>	<b><u>\$ 3,877,000</u></b>	<b><u>\$ 403,991</u></b>

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Revenue bonds payable	\$ 1,407,000	\$ —	\$ (299,000)	\$ 1,108,000	\$ 441,000
Compensated absences	<u>75,952</u>	<u>802</u>	<u>—</u>	<u>76,754</u>	<u>39,744</u>
<b>GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES</b>	<b><u>\$ 1,482,952</u></b>	<b><u>\$ 802</u></b>	<b><u>\$ (299,000)</u></b>	<b><u>\$ 1,184,754</u></b>	<b><u>\$ 480,744</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Revenue bonds payable	\$ 3,143,000	\$ —	\$ (374,000)	\$ 2,769,000	\$ 274,000
<b>BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES</b>	<b><u>\$ 3,143,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (374,000)</u></b>	<b><u>\$ 2,769,000</u></b>	<b><u>\$ 274,000</u></b>

## GRANTSVILLE CITY CORPORATION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **7. RETIREMENT PLANS**

Grantsville City Corporation contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage, both of which are cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling (800) 365-8772.

Plan members in the Public Safety Contributory System are required to contribute 12.29% of their annual covered salary (all or part may be paid by the employer for the employee) and Grantsville City Corporation is required to contribute 7.70% of their annual covered salary. In the Public Safety Noncontributory System, Grantsville City is required to contribute 19.08% of covered salary. In the Local Governmental Noncontributory Retirement System, Grantsville City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$68,490, \$54,170, and \$46,588 respectively. Salary subject to retirement contributions were \$617,584, \$563,097, and \$536,113 for the same years.

Contributions to the Public Safety Contributory System for the years ending June 30, 2005, 2004, and 2003 were \$42,484, \$39,815, and \$35,197 respectively. Salary subject to retirement contributions were \$212,524, \$236,853, and \$243,409 for the same years.

Contributions to the Public Safety Noncontributory System for the years ending June 30, 2005, 2004, and 2003 were \$15,828, \$8,455, and \$4,805, respectively. Salary subject to retirement contributions were \$82,955, \$52,062, and \$34,591, for the same years.

The Contributions were equal to the required contributions for each year.

Employees of the City may also participate in a 401(k) Defined Contribution Plan. The City's contributions to the Plan for June 30, 2005, 2004, and 2003 were \$47,303, \$38,514, and \$41,090 respectively. Employee contributions to the 401(k) Plan for June 30, 2005, 2004, and 2003, were \$16,909, \$15,704, and \$18,377 respectively.

#### **8. REDEVELOPMENT AGENCY**

In accordance with Utah Code Section 17B-4-1305(2), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2005:



**GRANTSVILLE CITY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**8. REDEVELOPMENT AGENCY (CONTINUED)**

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2005</u>
Industrial Park	\$ --
TOTAL INCREMENT RECEIVED	<u>\$ --</u>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount at June 30, 2005, of bonds issued to finance the costs associated with the project area was \$1,108,000.

D. The agency expended the following during the year:

	<u>2005</u>
Installation of public utilities	\$ 234,937
Administrative costs	11,900
Interest on bonds	<u>40,677</u>
TOTAL EXPENDITURES	<u>\$ 287,514</u>

**9. DEFICIT FUND BALANCE**

The Redevelopment Agency had a deficit fund balance of \$220,631 as of June 30, 2005. Reimbursement for development expenditures will come from tax increments through 2008.

**10. SUBSEQUENT EVENTS**

Subsequent to June 30, 2005, the City entered into a contract for a water and sewer line extension project. The amount of the contract is \$409,737.

**11. RISK MANAGEMENT**

The City, as a provider of municipal services, is exposed to a number of risks. Among these are: police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur. The City has not incurred any claims in excess of its coverage for any of the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GRANTSVILLE CITY CORPORATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Taxes	\$ 1,401,805	\$ 1,499,500	\$ 1,657,557	\$ 158,057
Licenses and permits	88,500	183,000	180,395	(2,605)
Intergovernmental	827,128	720,121	473,375	(246,746)
Charges for services	143,100	280,250	265,668	(14,582)
Impact fees	158,000	279,000	276,554	(2,446)
Fines and forfeitures	160,000	160,000	154,957	(5,043)
Investment earnings	10,500	35,000	33,462	(1,538)
Miscellaneous revenues	12,400	19,400	19,400	-
TOTAL REVENUES	2,801,433	3,176,271	3,061,368	(114,903)
EXPENDITURES:				
Current:				
General government:				
Administrative	397,113	397,000	372,577	24,423
Judicial	120,000	129,500	120,780	8,720
City Hall	57,000	37,400	34,780	2,620
Planning and zoning	96,700	96,700	92,554	4,146
Public safety:				
Police department	831,000	804,717	757,528	47,189
Fire department	114,070	114,170	70,025	44,145
Building inspection	58,100	100,800	99,654	1,146
Animal control	45,000	33,000	24,602	8,398
Highways and public works:				
Street department	195,450	189,100	206,454	(17,354)
Class "C" roads	500,450	421,500	187,333	234,167
Parks and recreation:				
Parks	430,800	247,100	214,849	32,251
Cemetery	60,350	61,095	60,177	918
TOTAL EXPENDITURES	2,906,033	2,632,082	2,241,313	390,769
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(104,600)	544,189	820,055	275,866
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(582,096)	66,488	648,584
Donation of assets to other governmental units	-	-	(81,733)	(81,733)
TOTAL OTHER FINANCING (USES)	-	(582,096)	(15,245)	566,851
NET CHANGE IN FUND BALANCES	(104,600)	(37,907)	804,810	842,717
FUND BALANCES - BEGINNING	886,998	886,998	886,998	-
FUND BALANCES - ENDING	\$ 782,398	\$ 849,091	\$ 1,691,808	\$ 842,717

**GRANTSVILLE CITY CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Taxes	\$ 1,076,430	\$ 1,076,430	\$ --	\$ (1,076,430)
TOTAL REVENUES	<u>1,076,430</u>	<u>1,076,430</u>	<u>--</u>	<u>(1,076,430)</u>
EXPENDITURES:				
Current:				
General government	3,000	9,000	11,900	(2,900)
Highways and public works	794,766	794,766	234,937	559,829
Debt service:				
Interest and fiscal charges	<u>53,000</u>	<u>53,000</u>	<u>40,677</u>	<u>12,323</u>
TOTAL EXPENDITURES	<u>850,766</u>	<u>856,766</u>	<u>287,514</u>	<u>569,252</u>
NET CHANGE IN FUND BALANCES	225,664	219,664	(287,514)	(507,178)
FUND BALANCES - BEGINNING OF YEAR	<u>66,883</u>	<u>66,883</u>	<u>66,883</u>	<u>--</u>
FUND BALANCES - END OF YEAR	<u>\$ 292,547</u>	<u>\$ 286,547</u>	<u>\$ (220,631)</u>	<u>\$ (507,178)</u>

**OTHER SUPPLEMENTARY INFORMATION**

GRANTSVILLE CITY CORPORATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>Debt Service</u>		<u>Special Revenue</u>	
	<u>Municipal Building Authority Bonds</u>	<u>Road Bonds</u>	<u>Special Improvement District</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ —	\$ —	\$ 1,338	\$ 1,338
Special assessment receivable	—	—	1,024	1,024
TOTAL ASSETS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,362</u>	<u>\$ 2,362</u>
LIABILITIES AND FUND BALANCES:				
Liabilities	\$ —	\$ —	\$ —	\$ —
Fund balances:				
Unreserved	—	—	2,362	2,362
TOTAL FUND BALANCES	<u>—</u>	<u>—</u>	<u>2,362</u>	<u>2,362</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,362</u>	<u>\$ 2,362</u>

**GRANTSVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Debt Service</u>		<u>Special Revenue</u>	
	<u>Municipal Building Authority Bonds</u>	<u>Road Bonds</u>	<u>Special Improvement District</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:				
Investment earnings	\$ 125	\$ 711	\$ 95	\$ 931
TOTAL REVENUES	125	711	95	931
EXPENDITURES:				
Debt service:				
Principal	117,000	182,000	—	299,000
Interest and fiscal charges	3,435	9,367	—	12,802
TOTAL EXPENDITURES	120,435	191,367	—	311,802
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(120,310)	(190,656)	95	(310,871)
OTHER FINANCING SOURCES (USES):				
Transfers out	(31,998)	(34,490)	—	(66,488)
TOTAL OTHER FINANCING (USES)	(31,998)	(34,490)	—	(66,488)
NET CHANGE IN FUND BALANCES	(152,308)	(225,146)	95	(377,359)
FUND BALANCES - BEGINNING	152,308	225,146	2,267	379,721
FUND BALANCES - ENDING	\$ —	\$ —	\$ 2,362	\$ 2,362



# PINNOCK, ROBBINS, POSEY & RICHINS

*Certified Public Accountants • A Professional Corporation*

Ronald D. Robbins, CPA  
David T. Posey, CPA  
Roger O. Richins, CPA  
James R. Beaudoin, PFS, CFP, CPA  
Wade K. Watkins, CPA

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and  
Members of the City Council  
Grantsville City, Utah

We have audited the financial statements of Grantsville City Corporation as of and for the year ended June 30, 2005, and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Grantsville City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which have been communicated to the management of Grantsville City Corporation in a separate letter dated December 15, 2005.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Grantsville City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial matters involving the internal control over financial reporting and its operation which have been communicated to the management of Grantsville City Corporation in a separate letter dated December 15, 2005.



This report is intended for the information of the City Council, management, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

December 15, 2005



# PINNOCK, ROBBINS, POSEY & RICHINS

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Wade K. Watkins, CPA

## INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To The Honorable Mayor and  
Members of the City Council  
Grantsville City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 15, 2005. The City received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Grantsville City Corporation's financial statements.)

### State Law Enforcement Grant

Our audit included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Courts
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property Tax Limitations	Uniform Building Code Standards
	Impact Fees

The City did not receive any major State grants during the year ended June 30, 2005.

The management of Grantsville City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Grantsville City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

*Pinnock, Robbins, Posey & Richins*

December 15, 2005



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Ronald D. Robbins, CPA  
David T. Posey, CPA  
Roger O. Richins, CPA  
James R. Beaudoin, PFS, CFR, CPA  
Wade K. Warkins, CPA

December 15, 2005

Honorable Mayor and  
Members of the City Council  
Grantsville City Corporation

Grantsville City Corporation is ultimately responsible for the financial condition of the City, and for the City's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines the fiscal responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the City, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

## **INTERNAL CONTROL AND OTHER OPERATIONAL MATTERS**

### **Perpetual Care Fund**

The City's cemetery perpetual care fund is being used to accumulate funds for expansion of and improvements to the cemetery. All cemetery activities are accounted for in the general fund. GASB Statement No. 34 classifies perpetual care funds as "permanent funds," which are reported as governmental funds and included in government-wide activities of the government-wide financial statements. Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used. The City's perpetual care fund is not being utilized in this manner.

### **Recommendation**

We recommend that the City close out this fund and move the restricted cash account to the general fund, where the cemetery activities are currently accounted for.

### **Management's Response**

The City agrees with this recommendation as discussed during the audit.

### **Cash Disbursement Approval**

During our audit, we noted that purchase orders are maintained for all expenditures, excluding construction and professional services contracts. The Mayor approves all purchase orders for disbursements greater than \$250 (per City policy). In addition, purchase orders are not filed with vendor invoices and check stubs.

### **Recommendation**

We recommend that the City attach purchase orders (with the Mayor's signature on disbursements greater than \$250) to check stubs and invoices in the appropriate paid vendor file. Furthermore, we recommend that the Mayor document his approval of individual disbursements directly on the vendor invoice in cases where no purchase order is issued (such as for construction and professional services contracts).

### **Management's Response**

The City will implement this procedure.

### **Manual Checks**

During our audit, we noted that the City issues two types of checks for payment of vendor invoices: accounts payable (computer) checks and manual checks. Accounts payable checks are run twice a month and are approved by the City Council. Manual checks are not approved by the City Council. Manual checks are written as needed and are generally for time-sensitive items, such as payroll-related expenses, or non-recurring expenses.

### **Recommendation**

We recommend that management provide a list of all manual checks from the previous month at the first Council meeting of each month for the Council members' review and approval.

### **Management's Response**

Beginning in January 2006, this procedure was implemented.

### **Outstanding Checks**

During our audit, we noted that approximately \$23,000 of the outstanding checks for the Key Bank checking account as of June 30, 2005, were also outstanding as of June 30, 2004.

### **Recommendation**

We recommend that old outstanding checks be investigated and when appropriate removed from the bank reconciliation.

### **Management's Response**

The City accountant will be given this assignment.

### **Accounting Adjustments**

During our audit, we noted many account balances that were misstated. As a result, we proposed a large number of adjusting entries. Government Auditing Standards require that City personnel review and approve the financial statements prior to their issuance. City personnel are also responsible to make an informed judgment on the statements. The large number of adjustments necessary to bring the financial statements into compliance with generally accepted accounting principles indicates a lack of compliance with these principles.

### **Recommendation**

We recommend that the accounting department make necessary improvements to insure that more accurate and useful financial statements are generated throughout the year, and especially at year-end.

### **Management's Response**

The City will take this under advisement and make necessary changes as soon as possible.

## **LEGAL COMPLIANCE MATTERS**

### **Budgetary Requirements (prior year recommendation)**

During our audit, we noted that the City did not give the required notice of its budget hearing. State law requires that the City publish notice of the hearing at least seven days prior to the public hearing.

### **Recommendation**

We recommend that the City take care to insure that proper notice is given of all budget hearings.

### **Management's Response**

The city will give proper notice of budget hearings.

### **Over-Expenditure of Legally Adopted Budgets (prior year recommendation)**

During our audit, we noted that the following department and funds over-expended their legally adopted budgets:

a. General Fund—Street Department	\$ 17,354
b. Municipal Building Authority Bonds	
Debt Service Fund	53,733
c. Road Bonds Debt Service Fund	124,267

### **Recommendation**

We recommend that City management carefully prepare and monitor all financial data (particularly year-end accruals) so that the City will be able to follow all legal fiscal requirements.

### **Management's Response**

The City's accounting department and department heads will more closely manage expenditures. The MBA and road bonds were paid in full using escrow funds, giving rise to the over-expenditure of adopted budgets.

### **Audit Report Submission (prior year recommendation)**

The State of Utah requires that a copy of the completed audit report be submitted to the State Auditor's Office and UDOT within six months of the fiscal year end. The current report was not completed and submitted on a timely basis.

### **Recommendation**

We recommend that the City take all steps necessary to insure that the records of the City are complete, accurate, and ready for the audit so that the audit report can be completed and timely submitted as required.

### **Management's Response**

The City will make every effort to complete the June 30, 2006 audit in a timely manner.

### **General Fund Balance**

During our audit, we noted the general fund balance is over the legal allowable limit of 18% of total budgeted revenue of the general fund.

### **Recommendation**

We recommend that the City take steps to insure that the general fund balance is within legal allowable limits.

### **Management's Response**

The City will budget capital projects and transfer funds to the capital projects fund.

### **Negative Fund Balance**

We noted the Redevelopment Agency Fund has a negative fund balance as of June 30, 2005. Utah law does not allow funds to carry negative fund balances.

### **Recommendation**

We recommend that the City review the negative fund balance to determine if revenues generated during the year ended June 30, 2006 will cover the negative fund balance.

### **Management's Response**

The City expects to receive tax increment revenues in 2006 and 2007, which should bring the fund balance into a positive position.

### **Uniform Building Code Standards**

During our audit, we noted that the building permit fee surcharge collections quarterly report for the first quarter of 2005 understated building permit fees collected. Only the March revenue was included in the quarterly report. As a result, the City did not remit the proper amount to the State.

### **Recommendation**

We recommend that the City amend the first quarter 2005 building permit fee surcharge collections quarterly report and remit the remaining surcharge due for that quarter to the State.

### **Management's Response**

The quarterly report has already been amended, and care will be taken in the future.

### **Impact Fees – Period of Availability**

State law requires that impact fees be expended or encumbered for a permissible use within six years of their receipt, with the following exceptions:

- a. The City identifies in writing an extraordinary and compelling reason why the fees should be held longer than six years; **and**
- b. The City identifies in writing an absolute date by which the fees will be expended.

During our audit, we noted that certain sewer impact fees have been held longer than six years. The City has plans to upgrade its sewer treatment facilities; however, they have not explained this in writing nor given an absolute date by which fees will be expended.

### **Recommendation**

We recommend that the City either use impact fees that have been held longer than six years for a permissible use or develop a written plan for the use of these fees, including an absolute date by which the fees will be expended.

### **Management's Response**

A written plan for the use of impact fees that have been held longer than six years will be adopted by the City Council.

## **STATUS OF OTHER PRIOR YEAR RECOMMENDATIONS**

### **Justice Court Surcharge Allocation**

During our audit, we noted that required surcharges on criminal fines were improperly allocated on a few of the dockets sampled. As a result, the amount of surcharges remitted to the State Treasurer was incorrect.

### **Recommendation**

We recommend that care be taken to properly allocate fines received to the various surcharges to prevent errors in the calculation of surcharges owing to the State.



Status

Implemented

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We sincerely appreciate the cooperation we received from the management and employees of the City during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to again serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.

*Pinnock, Robbins, Posey & Richins*  
PINNOCK, ROBBINS, POSEY & RICHINS, PC